

PROJECT OVERSIGHT REPORT

Merchandising Business Systems Project (MBS)
Washington State Liquor Control Board (WSLCB)

Report as of Date:
February 2005

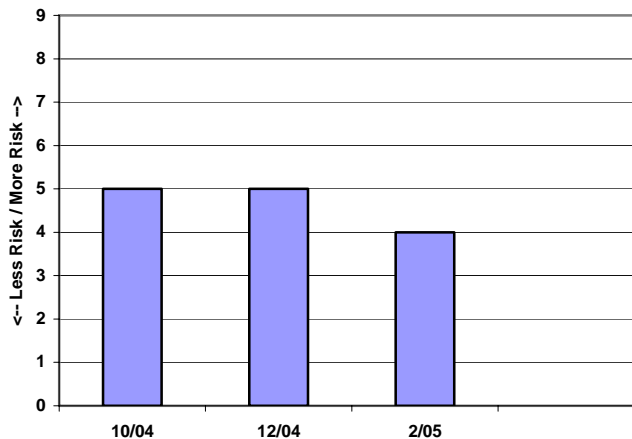
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Severity/Risk Rating: High (high severity, high risk)

Oversight: Level 3 – ISB

Phase 2 Project Risk Assessment



Phase 2 Staff Recommendations: Information Services Board (ISB) staff sees project risk declining because the WSLCB staff is acting on recommendations. ISB staff continues to recommend the project budget and project risk assessments be kept up to date and reviewed monthly and the project schedule and issues log be reviewed at the weekly steering committee meeting to facilitate effective decision making and project support. Additionally the ISB staff recommends the WSLCB review and update the schedule and that it not be overly optimistic about what can be accomplished prior to the end of the biennium.

ISB staff recommends: 1) involving all divisions affected by Phase 2; 2) updating and using the communications plans to ensure coordination of initiatives underway within the WSLCB; and, 3) ensuring that the retail operations are prepared for Phase 2 changes.

Phase 2 Variances:

- **Schedule:** A new schedule is now in effect indicating full point-of-sale (POS) implementation by June 30, 2005. However, functional, integration, and user acceptance testing estimates are very aggressive.
- **Budget/Cost:** The MBS project was appropriated \$6.5 million for the original hardware, software, and operations costs. The project is now projecting to spend \$7.6 million. The WSLCB will allocate other agency resources to cover the additional expenses.
- **Scope:** None.
- **Resources:** The agency has retained external contractor resources with appropriate project management and technical skills to complete the POS within this biennium. Staff issues caused by changing operational procedures at the stores and at headquarters require significant attention and preparation prior to implementation. Due to the level of resources at

the WSLCB, resources are redirected away from the project activities when operational or system issues arise and need timely resolution.

Risks/Mitigation Steps:

1. Schedule

The project may not be completed by end of this biennium.

Mitigation Tasks

- Rhodes Consulting Services, Inc., has been retained to develop, monitor and report status on overall project schedule.
- The agreement with Triversity (POS software vendor) has been expanded to provide training for the retail staff and store implementation services.
- Detailed store conversion plans and schedules have been developed for implementation.
- Solutions IQ designed the data repository and developed the interfaces between the POS and the WSLCB merchandising and financial applications.
- The WSLCB acquired middleware software for the interfaces.
- The WSLCB is incorporating contingency planning strategies into the deployment schedule.
- The Retail Director is the business sponsor and is taking an active, leadership role in planning the logistics for the system rollout/deployment and creating contingency plans. This was an ISB recommendation that the WSLCB has implemented.

2. Budget/Cost

The MBS project has exceeded the original proviso appropriations for design, development, implementation, and maintenance by \$1.1 million.

Mitigation Tasks

- The WSLCB has redirected additional financial resources within the agency in order to complete the project within the biennium.
- The WSLCB Administrative Director is personally scrutinizing expenditures.

3. Resources

There is WSLCB staff resistance to change being made to their work processes.

Mitigation Tasks

- The WSLCB has identified a “change agent” to develop approaches that will address staff concerns and secure their support. This work will start by the first of 2005.
- This is also addressed through the communications plan and user involvement in the “change agent” team.
- The training includes two days for each store manager and assistant store manager plus on-site first day, go-live support.

Project Description: Since termination of the original contract with GERS (formerly General Electric Retail Systems), the WSLCB identified the POS replacement as the highest priority for the agency and met the Phase 1 goal to have the new POS equipment operational in all state run stores by October 2004. Phase 1 applied the current application to the new POS equipment and installed it in all state run stores. The objective for Phase 2, by June 2005, is to install the Triversity POS application at each state run store and develop and implement new interfaces to WSLCB’s current business applications.

Background Information

The 2001 Legislature authorized the WSLCB to replace its POS software with a commercially available product capable of managing and supporting the agency's retail business. These business activities include procurement (timely sales and marketing data), distribution (electronic tracking of shipping and handling), wholesale and special orders, and POS in the 161 state liquor stores. The contract agent stores are not included in the project.

The WSLCB selected GERS, a leading supplier of merchandising, point-of-sale, and e-business solutions for retailers with more than 400 systems installed. Following failure to pass user acceptance testing criteria, the WSLCB terminated its contract with GERS for default effective November 24, 2003. The WSLCB stopped all work with GERS on the MBS project at that time. The WSLCB immediately began exploring alternatives to address its POS and business information systems needs. The WSLCB has met the goal of having new POS equipment operational in all state run stores by October 2004. Phase 2 will implement the Triversity POS application by June 2005.

Due to its information systems' age and obsolescence, the WSLCB's merchandising systems represent a major exposure to the agency's ability to perform its core mission.

Technology: Under the agreement with GERS, the WSLCB purchased industry standard IBM cash registers and related POS equipment and the Triversity POS application.

Budget: The appropriation for this project was \$4,802,720. In addition, \$1.3 million proviso in operation funds for the new system and \$418,000 in software maintenance funds were added to the project budget. An additional \$1.1 million from other sources within the agency have been added to cover project expenses, bringing the investment cost to \$7.6 million.

At the point of the contract cancellation, the GERS contract cost \$3 million and provided the POS hardware and POS software. Additional resources totaling \$4.6 million (including current encumbrances of \$1.5 million) are required to implement the new POS system for software licenses, and contractors for project management, project development, testing, training, and implementation support.